

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201425017**

Release Date: 6/20/2014

Date: March 25, 2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

B= scholarship name

C= city/state

w= number

x= number

y= dollar amount

z= dollar amount

UIL:

4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures will not be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

You will operate B, a program to enhance access to higher education by awarding scholarships to graduates of the C School District's high schools for post-secondary education. The scholarship awards are applied to tuition and fees at the post-secondary education institution.

Letter 4792 (10-2012)

Catalog Number 58263T

There are approximately 500 seniors and graduates eligible to apply for the scholarship and between w and x are awarded annually. Awards range between y to z dollars depending on the amount of funds available for distribution.

The C School District makes the scholarships known to all students via their bulletin board, announcements to students, guidance office and website.

Applicants must meet the following eligibility requirements to be considered for a scholarship:

1. Be a graduate from C Area High School;
2. Be currently enrolled at a fully accredited college, university or technical college, in a degree program;
3. Be current enrolled as a full-time undergraduate student (at least 12 credit hours);
4. Must have at least one full year of study remaining toward their undergraduate degree;
5. Enrollment must occur within nine months after the date of notification of the scholarship award;
6. Applicants can re-apply each year for another scholarship as long as eligibility requirements are met. Recipients may receive the award a maximum of four times including the year they apply as a senior in high school. The four awards must be used within the first five years of graduation from high school.

Selection criteria include the following:

1. Scholastic achievement;
2. General aptitude for advanced educational work and seriousness of purpose;
3. Financial need;
4. Evidence of self-motivation, initiative and high ethical standards;
5. Qualities of leadership and participation in co-curricular or extra-curricular activities, including athletics, and volunteer experience while in college.

Prior recipients of awards may request a continuation of their scholarship. They must be a full-time student at a post-secondary educational institute and continue to show scholastic achievement by providing transcripts of the courses taken and grades received, demonstrate financial need by providing family financial information, disclose other grants and scholarships and cost of the school the student attends, provide evidence of self-motivation and leadership, as shown by a letter of recommendation from the student's dean, faculty advisor or instructor of a completed course, and participate in co-curricular activities.

Members of your scholarship committee review applications based on the criteria above and notify you of the students selected to receive scholarships. You will have no discretion regarding selection of scholarship recipients. All scholarships are awarded on an objective and non-discriminatory basis and no scholarship may be awarded to any disqualified person as defined in Code section 4946.

Committee members are selected by the school Superintendent and are made up of at least one educator and other members of the community. The school superintendent selects replacements as needed. Relatives of members of your scholarship committee, or your officers, directors, or substantial contributors are not eligible for awards made under your program.

You will pay the scholarship directly to the university/college the recipient attends for the benefit of the recipient. You will provide a letter to each university/college specifying that the university/college's acceptance of the funds constitutes their agreement to notify your trustees and refund any portion of the scholarship if your terms and conditions are not met.

The letter sent to the educational institution states that the scholarship is for graduates of C School District and will be used to defray the recipient's expenses only if the recipient is enrolled at the subject institution. The funds are to be used entirely for educational purposes and cannot be used for any purposes that would cause the grant to be deemed a taxable expenditure. It cannot be used to carry on propaganda or attempt to influence legislation or to undertake any activity that is inconsistent with the charitable purposes described in Code section 501(c) (3).

If a school does not agree to the terms of the letter, they are to return the check to you. Individual expenditure responsibility would be completed by sending a letter to the student and having them attest that the funds will be used entirely for educational purposes and cannot be used for any purposes that would be deemed a taxable expenditure. If the student does not sign the agreement, they will not receive the scholarship.

You will arrange to receive and review reports annually and upon completion of the purpose of the award, investigate diversions of funds from their intended purposes and take all reasonable and appropriate steps to recover diverted funds, ensure other funds held by a recipient are used for their intended purposes and withhold further payments to the recipient until you obtain their assurance that future diversions will not occur and that the recipient will take extraordinary precautions to prevent future diversions from occurring.

You will maintain all records and case histories relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant and establish that you undertook the supervision and investigation of grants.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that

meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations